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FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC 2833
INFO RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 5203
RUEHBJ/AMEMBASSY BEIJING 2944
RUEHKO/AMEMBASSY TOKYO 2809
RUEHIT/AMCONSUL ISTANBUL 3447
RUCNDT/USMISSION USUN NEW YORK 1004
RHMFIUU/CDR USCENCOM MACDILL AFB FL
RUEHVEN/USMISSION USOSCE 3560
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC

UNCLAS ASHGABAT 000626

SENSITIVE

SIPDIS

STATE FOR SCA/CEN; EEB
PLEASE PASS TO USTDA DAN STEIN
ENERGY FOR EKIMOFF/THOMPSON
COMMERCE FOR HUEPER

E.O. 12958: N/A

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SUBJECT: TURKMENISTAN HOSTS CURIOUS BUSINESS EXHIBITION

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: On May 13 - 15, the Turkmen Government hosted another well-publicized exhibition devoted to private and government commercial enterprises. Both state enterprises and foreign private companies were represented, but it was not clear what the exhibition was designed to do. Many of the private enterprises represented were foreign companies that have been in Turkmenistan for years. Some foreign companies seeking access to the Turkmen market, however, were also represented. Although the exhibition tried to reflect an image of a healthy and fast-developing economy, the presence of so many state-controlled enterprises was a stark reminder of the lack of privatization here. END SUMMARY.

13. (SBU) The Government of Turkmenistan hosted an annual international exhibition mysteriously titled "White City Ashgabat" the week of May 11. The exhibition gathered local and foreign producers and service providers doing business in Turkmenistan in various sectors ranging from employee recruitment services to construction. All the Deputy Chairmen of the Cabinet of Ministers, other high-ranking government officials, and the diplomatic community attended the opening ceremony of the exhibition.

14. (SBU) Most of the Turkmen ministries, enterprises and agencies presented their products and services at the exhibition. The participation in the exhibition was seemingly mandatory for them and did not appear to have any marketing or business development value. Local private businesses participating in the exhibition were mostly those involved in service industries, food processing and production, textile and carpet making, and distributorship. There also were four Turkmen construction companies that have recently won large-scale government contracts, thus making an entry into a construction market normally dominated by foreign companies.

15. (SBU) Foreign businesses at the exhibition were mostly those that have been in Turkmenistan for a long time and have strong ties with the Government, such as the Turkish construction companies Polimeks, Erku, Kotam Enterprises, Sehil Insaat, Bahar Insaat, Belda Insaat, and the French company, Bouygues, all of whom were

reportedly "strongly encouraged" to participate in the exhibition. The Iranian participation was limited to two companies: Iran Khodro, a bus and car producer that has been active in Turkmenistan since the mid - 90s supplying city buses to the Ashgabat municipality, and Negam Seram, a ceramic tiles (for covering bathroom and kitchen walls) distributor that has been successfully selling Iranian-made tiles to the private sector since 2004. Mercedes, Toyota, Skoda and Peugeot car dealers also exhibited at the event. Several foreign companies used the exhibition as a way to enter the Turkmen market. The most noteworthy of them were the Russian "R Rainbow Engineering Systems" company, which seeks to sell electricity and heat generators that use traditional fuels and solar energy, and the Latvian SMP Bank, which seeks to offer business banking services to Turkmen entrepreneurs.

16. (SBU) COMMENT: This is the eighth year this exhibition has taken place, and is likely part of the Turkmenistan Government's efforts to improve the country's image and promote the appearance of an open and transparent national economy. But ironically, the scope of participants demonstrates the real state of the economy, where virtually everything is controlled by the state, and businesses compete not for the purpose of providing better products or services but of influencing decision-makers in the government. Even with higher-quality products or services, new businesses attempting to enter the Turkmen market will find it difficult to do so without securing high-level government support beforehand. END COMMENT.

MILES